

The University of Maine

DigitalCommons@UMaine

Maine Town Documents

Maine Government Documents

2019

Town of Bowdoinham Maine Audited Financial Report 2019

Bowdoinham, Me.

Follow this and additional works at: <https://digitalcommons.library.umaine.edu/towndocs>

This Financial Report is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Maine Town Documents by an authorized administrator of DigitalCommons@UMaine. For more information, please contact um.library.technical.services@maine.edu.

TOWN OF BOWDOINHAM

BOWDOINHAM, MAINE

FINANCIAL AUDIT REPORT

JUNE 30, 2019

**TOWN OF BOWDOINHAM
BOWDOINHAM, MAINE
JUNE 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

EXHIBITS

Independent Auditors' Report

Financial Statements

Government-Wide Financial Statements

Statement of Net Position

Exhibit I

Statement of Activities

Exhibit II

Fund Financial Statements

Governmental Funds

Balance Sheet

Exhibit III

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Position

Exhibit IV

Statement of Revenues, Expenditures and Changes in Fund Balance

Exhibit V

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Exhibit VI

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund

Exhibit VII

Notes to Financial Statements

Smith & Associates, CPAs

A Professional Association

500 US Route One, Suite 102 • Yarmouth, Maine 04096

Ph (207) 846-8881 • Fax (207) 846-8882

www.smithassociatescpa.com

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Selectmen and Manager
TOWN OF BOWDOINHAM
Bowdoinham, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the financial statements of the Town of Bowdoinham, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Governmental Activities and Aggregate Remaining Fund Information

We were unable to obtain sufficient evidential source documentation to support the classification of the Town's permanent funds between expendable and non-expendable portions thereof because the relevant legal indentures could not be located and the prior audited financial statements did not make such distinction.

Qualified Opinion on the Governmental Activities and Aggregate Remaining Fund Information

In our opinion, except for the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and aggregate remaining fund information of the Town of Bowdoinham as of June 30, 2019 and the changes in financial position of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Town of Bowdoinham as of June 30, 2019 and the changes in financial position of those funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
January 28, 2020

EXHIBIT I

**TOWN OF BOWDOINHAM
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Primary Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,660,643
Investments	709,828
Accounts Receivable	24,805
Taxes Receivable	191,536
Tax Liens Receivable	71,569
Capital Assets, Net of Accumulated Depreciation	<u>4,786,633</u>
Total Assets	<u>\$ 8,445,014</u>
Deferred Outflows of Resources	<u>\$ 0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,445,014</u>
Liabilities	
Accounts Payable	\$ 1,340
Accrued Expenses	60,397
Escrow Deposits	0
Non Current Liabilities	
Due Within One Year	292,206
Due in More Than One Year	<u>3,855,682</u>
Total Liabilities	<u>\$ 4,209,625</u>
Deferred Inflows of Resources	<u>\$ 7,799</u>
Net Position (Deficit)	
<i>Net Investment in Capital Assets</i>	\$ 669,469
<i>Restricted for</i>	
Tax Increment Financing District	1,209,127
<i>Unrestricted</i>	<u>2,348,994</u>
Total Net Position	<u>\$ 4,227,590</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT II

**TOWN OF BOWDOINHAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

				Net (Expense) Revenue and Changes in Net Position <u>Primary Government</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General Government	\$ 734,800	\$ 45,607	\$ 43,533	\$ (645,660)
Public Works and Maintenance	485,603	660	42,264	(442,679)
Solid Waste	166,739	86,881	0	(79,858)
Public Safety	108,593	2,673	11,141	(94,779)
Culture and Recreation	53,000	26,516	14,071	(12,413)
Public Health and Welfare	49,546	0	4,788	(44,758)
Education	3,045,870	0	0	(3,045,870)
County Tax and Overlay	483,142	0	0	(483,142)
Interest on Long-Term Debt	82,482	0	0	(82,482)
Depreciation - Unallocated	<u>176,555</u>	<u>0</u>	<u>0</u>	<u>(176,555)</u>
Total Primary Government	\$ 5,386,330	\$ 162,337	\$ 115,797	\$ (5,108,196)
 General Revenues				
Property and Other Taxes				\$ 5,271,414
Grants and Contributions Not Restricted to Special Programs				312,972
Unrestricted Investment Earnings				39,420
Loss on Disposal of Capital Assets				(16,309)
Unrealized Gains (Losses) on Investments				(1,124)
Realized Gains (Losses) on Investments				39,146
Miscellaneous				<u>18,949</u>
Total General Revenues				\$ 5,664,468
Changes in Net Position				\$ 556,272
Net Position – July 1, 2018				<u>3,671,318</u>
Net Position – June 30, 2019				\$ 4,227,590

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT III

**TOWN OF BOWDOINHAM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Public Works Facility	CMP TIF	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,652,194	\$ 0	\$ 0	\$ 8,449	\$ 2,660,643
Investments	0	0	0	709,828	709,828
Taxes Receivable	191,536	0	0	0	191,536
Tax Liens Receivable	71,569	0	0	0	71,569
Accounts Receivable	24,805	0	0	0	24,805
Due From Other Funds	<u>754</u>	<u>93,915</u>	<u>1,167,187</u>	<u>213,308</u>	<u>1,475,164</u>
Total Assets	\$ 2,940,858	\$ 93,915	\$ 1,167,187	\$ 931,585	\$ 5,133,545
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,940,858</u>	<u>\$ 93,915</u>	<u>\$ 1,167,187</u>	<u>\$ 931,585</u>	<u>\$ 5,133,545</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts Payable	\$ 1,340	\$ 0	\$ 0	\$ 0	\$ 1,340
Accrued Expenses	28,695	0	0	0	28,695
Escrow Deposits	0	0	0	0	0
Due to Other Funds	<u>1,474,410</u>	<u>0</u>	<u>0</u>	<u>754</u>	<u>1,475,164</u>
Total Liabilities	<u>\$ 1,504,445</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 754</u>	<u>\$ 1,505,199</u>
Deferred Inflows of Resources					
Unavailable Revenue – Property Taxes	<u>\$ 162,799</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 162,799</u>
Fund Balance					
<i>Nonspendable</i>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<i>Restricted</i>					
Tax Increment Financing	0	0	1,167,187	41,940	1,209,127
<i>Committed</i>					
Capital Project Funds	0	93,915	0	73,706	167,621
Special Revenue Funds	0		0	106,112	106,112
Appropriated for FY2020	140,000	0	0	0	140,000
<i>Assigned</i>					
Permanent Funds	0	0	0	709,073	709,073
<i>Unassigned</i>					
Capital Projects Fund Deficit	0	0	0	0	0
General Fund	<u>1,133,614</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,133,614</u>
Total Fund Balance	<u>\$ 1,273,614</u>	<u>\$ 93,915</u>	<u>\$ 1,167,187</u>	<u>\$ 930,831</u>	<u>\$ 3,465,547</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,940,858</u>	<u>\$ 93,915</u>	<u>\$ 1,167,187</u>	<u>\$ 931,585</u>	<u>\$ 5,133,545</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

**TOWN OF BOWDOINHAM
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balances – Total Governmental Funds \$3,465,547

**Amounts Reported for Governmental Activities in the Statement of
Net Position is Different Because**

Capital Assets Used in Governmental Activities are Not
Current Financial Resources and Therefore are Not
Reported in the Governmental Funds Balance Sheet. 4,786,633

Interest Payable on Long-Term Debt Does Not Require Current
Financial Resources and Therefore Interest Payable is Not Reported
as a Liability in Governmental Funds Balance Sheet. (31,702)

Unavailable Property Tax Revenues are Not Available to Pay for
Current Period Expenditures and Therefore, are Deferred Inflows of
Resources. 155,000

Long Term Liabilities are Not Due and Payable in the Current Period
and Therefore, They are Not Reported in the Governmental Funds
Balance Sheet

Due in One Year	\$ 292,206	
Due in More Than One Year	3,824,958	
Accrued Compensated Absence Pay	<u>30,724</u>	<u>(4,147,888)</u>

Net Position of Governmental Activities **\$4,227,590**

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT V

**TOWN OF BOWDOINHAM
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General <u>Fund</u>	Public Works <u>Facility</u>	<u>CMP TIF</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property and Other Taxes	\$ 4,796,841	\$ 0	\$ 408,273	\$ 77,300	\$ 5,282,414
Intergovernmental	348,236	0	0	40,000	388,236
Licenses, Permits and Fees	55,251	0	0	0	55,251
Charges for Services	107,086	0	0	0	107,086
Investment Income	23,647	1,131	0	14,642	39,420
Realized Gains	0	0	0	39,146	39,146
Unrealized Gains	0	0	0	(1,124)	(1,124)
Miscellaneous	30,783	0	0	52,841	83,624
Total Revenues	<u>\$ 5,361,844</u>	<u>\$ 1,131</u>	<u>\$ 408,273</u>	<u>\$ 222,805</u>	<u>\$ 5,994,053</u>
Expenditures					
<i>Current</i>					
General Government	\$ 504,037	\$ 0	\$ 85,654	\$ 139,423	\$ 729,114
Public Works and Maintenance	464,881	0	0	20,722	485,603
Solid Waste	166,739	0	0	0	166,739
Public Safety	108,593	0	0	0	108,593
Culture and Recreation	42,517	0	0	10,483	53,000
Public Health and Welfare	49,388	0	0	158	49,546
Education	3,033,690	0	0	12,180	3,045,870
Contingency	0	0	0	0	0
Debt Service	380,882	0	0	0	380,882
County Tax and Overlay	483,142	0	0	0	483,142
<i>Capital Outlay</i>	<u>0</u>	<u>2,131,536</u>	<u>0</u>	<u>245,989</u>	<u>2,377,525</u>
Total Expenditures	<u>\$ 5,233,869</u>	<u>\$2,131,536</u>	<u>\$ 85,654</u>	<u>\$ 428,955</u>	<u>\$ 7,880,014</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 127,975	(2,130,405)	\$ 322,619	\$ (206,150)	\$ (1,885,961)
Other Financing Sources (Uses)					
Transfers In (Out)	(23,284)	0	(599)	23,883	0
Proceeds from Borrowing	<u>0</u>	<u>2,425,000</u>	<u>0</u>	<u>250,000</u>	<u>2,675,000</u>
Total Other Financing Sources (Uses)	<u>(23,284)</u>	<u>2,425,000</u>	<u>(599)</u>	<u>273,883</u>	<u>2,675,000</u>
Net Change in Fund Balance	<u>\$ 104,691</u>	<u>\$ 294,595</u>	<u>\$ 322,020</u>	<u>\$ 67,733</u>	<u>\$ 789,039</u>
Fund Balance– July 1, 2018	<u>\$ 1,168,923</u>	<u>\$ (200,680)</u>	<u>\$ 845,167</u>	<u>\$ 863,098</u>	<u>\$ 2,676,508</u>
Fund Balance – June 30, 2019	<u>\$ 1,273,614</u>	<u>\$ 93,915</u>	<u>\$ 1,167,187</u>	<u>\$ 930,831</u>	<u>\$ 3,465,547</u>

The Notes to the Financial Statements are an Integral Part of This Statement

**TOWN OF BOWDOINHAM
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance – Total Governmental Funds \$789,039

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because**

Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount of Capital Assets Recorded in the Current Period. 2,377,525

Depreciation Expense on Capital Assets is Reported in the Government-Wide Statement of Activities and Changes in Net Position, But They Do Not Require the Use of Current Financial Resources and Therefore, Depreciation Expense is Not Reported as Expenditure in Governmental Funds. (176,555)

The Issuance of Long-Term Debt (e.g. Bonds and Accrued Compensated Absence Pay) Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Current Financial Resources of Governmental Funds. Neither Transaction, However, has Any Effect on Net Position. Also, Governmental Funds Report the Effect of Issuance Cost, Premiums, Discounts, and Similar Items When Debt is First Issued, Whereas the Amounts are Deferred and Amortized in the Statement of Activities. This Amount is the Net Effect of These Differences in the Treatment of Long-Term Debt and Related Items. (2,368,461)

Book value of Capital Assets Disposed During the Year. (40,451)

Some Property Tax Will Not be Collected for Several Months After the Town's Fiscal Year End; They are Not Considered Current Financial Resources in the Governmental Funds. This Amount is the Net Effect of the Differences. (11,000)

Changes in Accrued Interest Expense on Long-Term Debt and Accrued Compensated Absences are Reported in the Government-Wide Statement of Activities and Changes in Net Position, But Do Not Require the Use of Current Financial Resources; Therefore, These Items Are Not Reported as Expenditures in Governmental Funds. (13,825)

Change in Net Position of Governmental Activities \$ 556,272

The Notes to the Financial Statements are an Integral Part of This Statement.

EXHIBIT VII

**TOWN OF BOWDOINHAM
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Property and Other Taxes	\$ 4,713,794	\$ 4,713,794	\$ 4,796,841	\$ 83,047
Intergovernmental	361,464	361,464	348,236	(13,228)
Licenses, Permits and Fees	51,900	51,900	55,251	3,351
Charges for Services	120,700	120,700	107,086	(13,614)
Investment Income	5,000	5,000	23,647	18,647
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>30,783</u>	<u>27,783</u>
Total Revenues	<u>\$ 5,255,858</u>	<u>\$ 5,255,858</u>	<u>\$ 5,361,844</u>	<u>\$ 105,986</u>
Expenditures				
<i>Current</i>				
General Government	\$ 513,055	\$ 498,843	\$ 504,037	\$ (5,194)
Public Works and Maintenance	498,192	491,356	464,881	26,475
Solid Waste	185,277	180,791	166,739	14,052
Public Safety	117,339	117,339	108,593	8,746
Culture and Recreation	43,614	42,614	42,517	97
Public Health and Welfare	51,500	51,500	49,388	2,112
Education	3,033,690	3,033,690	3,033,690	0
Contingency	8,000	8,000	0	8,000
Debt Service	429,589	429,589	380,882	48,707
County Tax and Overlay	<u>502,602</u>	<u>502,602</u>	<u>483,142</u>	<u>19,460</u>
Total Expenditures	<u>\$ 5,382,858</u>	<u>\$ 5,356,324</u>	<u>\$ 5,233,869</u>	<u>\$ 122,455</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ (127,000)	\$ (100,466)	\$ 127,975	\$ 228,441
Other Financing Sources (Uses)				
Transfers In (Out)	<u>\$ 7,000</u>	<u>\$ (19,534)</u>	<u>\$ (23,284)</u>	<u>\$ (3,750)</u>
Net Change in Fund Balance	\$ (120,000)	\$ (120,000)	\$ 104,691	\$ 224,691
Fund Balance – July 1, 2018	<u>\$ 1,168,923</u>	<u>\$ 1,168,923</u>	<u>\$ 1,168,923</u>	<u>\$ 0</u>
Fund Balance – June 30, 2019	<u>\$ 1,048,923</u>	<u>\$ 1,048,923</u>	<u>\$ 1,273,614</u>	<u>\$ 224,691</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. – General Statement

The Town of Bowdoinham, Maine was incorporated in 1762 under the laws of the State of Maine and currently operates under a Selectmen/Manager Form of Government.

The accounting and reporting policies of the Town relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable).

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements including notes to financial statements.

B. – Financial Reporting Entity

The Town's combined financial statements include the accounts of all Town of Bowdoinham operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. – Financial Reporting Entity (Continued)

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Bowdoinham has no component units that are not included in this report.

C. – Financial Statements – Government - Wide Statements

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, charges for services, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (whether operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc).

D. – Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. – Financial Statements – Fund Financial Statements (Continued)

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery. The Town's permanent funds consist of cemetery, worthy poor, anniversary, commemorative and other trust funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either portfolio or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

E. – Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year period is used for recognition of all other Governmental fund revenues. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. – Budgetary Control

Formal budgetary accounting is employed as a management control for the general fund of the Town of Bowdoinham. The Town of Bowdoinham's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

- Early in the second half of the last fiscal year the Town prepared a budget for this fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the inhabitants of the Town of Bowdoinham was then called for the purpose of adopting the proposed budget after public notice of the meeting was given.
- The budget was adopted subsequent to passage by the inhabitants of the Town.

The Town does not adopt budgets for the Special Revenue Funds.

G. – Cash, Cash Equivalents, and Investments

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests certain funds in checking, savings accounts or certificates of deposit.

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Investments are recorded at fair market value.

H. – Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	7-40 Years
Machinery and Equipment	5-20 Years
Vehicles	5-15 Years
Infrastructure	40 Years

The Town of Bowdoinham has elected not to retroactively report their major general infrastructure assets.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. – Compensated Absences

The Town of Bowdoinham recognizes accumulated sick leave compensation during the period in which the related liability is incurred. In compliance with Town personnel policies the liability for accrued compensated absence pay was \$30,724 for compensation and vacation time at June 30, 2019.

Under the terms of personnel policies, vacation, sick leave and compensation time are granted in varying amounts according to length of service.

J. – Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

K. – Deferred Outflows and Inflows of Resources

The Town has implemented the following statements:

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. These terms are defined as follows:

Deferred Outflows of Resources - a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources - an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

The GASB emphasizes in GASB 63 that deferred inflows and deferred outflows are not assets or liabilities and therefore should be separately categorized in the financial statements.

The deferred inflows of resources listed at June 30, 2019 for the Town of Bowdoinham amounted to \$162,799 at the fund level and \$7,799 at the government-wide level. There were no deferred outflows of resources at June 30, 2019.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. – Equity Classifications

Government-Wide Statements

Net position represents the differences between assets and liabilities. Equity is classified as net position and displayed in three components:

- *Net Investment in Capital Assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen, such as an appropriation. Assigned fund balance is constrained by the Board’s intent to be used for specific purposes by directive. See Note 11 for additional information about fund balances.

M. – Use of Estimates

Preparation of financial statements in conformity with GAAP requires the use of management’s estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. – Accounts Receivable

Accounts Receivable at June 30, 2019, primarily consists of miscellaneous intergovernmental receivables. There is no allowance for doubtful accounts as the Town believes they are 100% collectible.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Generally, the Town invests such excess funds in checking accounts, savings accounts, certificates of deposit and U.S. government obligations (through an investment group owned by a financial institution). From time to time the Town's deposits and investments may be subject to certain risks, such as the following:

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in only financial institutions that are insured by the F.D.I.C. or additional insurance. As of June 30, 2019, the Town's bank balances were covered directly or indirectly by the F.D.I.C.

Interest Rate Risk – The Town does not currently have a deposit policy for interest rate risk.

Credit Risk – The Town does not have a formal policy regarding credit risk. Maine statutes authorized the Town to invest in obligations of the U.S. Treasury and U.S. agencies and certain bonds, securities and real assets.

Custodial Credit Risk – Investments – For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. None of the Town's investments were subject to custodial credit risk.

The Town has an investment policy dated April 10, 2007, and updated in July, 2019. The Town's primary objective is to have a balanced portfolio of fixed income and equity investments, which are adverse to high risk and provide income growth to offset inflation. Per this investment policy, the Town can invest in equities and fixed income securities with the following guidelines:

- Equities should not comprise more than 65% of the total value of the portfolio.
- No single equity will comprise more than 5% of the total value of the portfolio.
- Equities should be broadly diversified among different sectors and industries.
- Any preferred stock shall be classified as equity.
- All equities will be rated investment grade or better by a national rating agency, or held in a diversified mutual fund.
- Fixed income instruments should not comprise more than 50% of the total value of the portfolio.
- No single fixed income instrument will comprise more than 10% of the total value of the portfolio.
- The longest final maturity of any fixed income investment is 15 years from date of purchase.
- All certificates of deposit or savings instruments will be fully insured by a government agency.
- All fixed income securities will be rated investment grade by an independent investment rating agency, or held in a well rated mutual fund.
- The cash portion of the portfolio should not be more than 10% of the total value of the portfolio.
- Cash may be invested in shares of registered investment companies (money market mutual funds) holding obligations of the U.S. government and repurchase agreements secured by U.S. government obligations.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 30, 2019, the Town's investment balances were as follows:

	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>	<u>More Than 5 Years</u>
Cash and Cash Equivalents				
Federal Obligations (Dreyfus Governmental Cash Management)	\$ 27,404	\$ 27,404	\$ 0	\$ 0
Real Assets				
(Gerstein Fischer REIT)	8,690	N/A	N/A	N/A
Equities				
Common Stock	149,121	N/A	N/A	N/A
Mutual Funds – Equity	216,358	N/A	N/A	N/A
Fixed Income				
Mutual Funds – Fixed, Nonrated	<u>308,255</u>	<u>308,255</u>	<u>0</u>	<u>0</u>
Total Investments	<u>\$ 709,828</u>	<u>\$ 335,659</u>	<u>\$ 0</u>	<u>\$ 0</u>

At June 30, 2019 the Town's investments were held in accordance with its stated investment policy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, based on inputs used in making such measurements. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments above are measured at fair value on a recurring basis using Level 1 inputs.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 – PROPERTY TAXES

The Town is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. The Town of Bowdoinham's property tax is levied on the assessed value listed as of the prior April 1st for all taxable real and personal property located in the Town. Assessed values are periodically established by the Assessor at 100% of assumed market value. The assessed value for the list of April 1, 2018, upon which the levy for the year ended June 30, 2019, was based, amounted to \$278,299,925. The assessment ratio was computed by the State at 99.73% (2019 State valuation of \$279,050,000).

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$19,460 for the year ended June 30, 2019.

In the fund financial statements, property taxes are recognized in compliance with NCGA Interpretation – 3, *Revenue Recognition – Property Taxes* which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due and receivable within the current period and collected no longer than 60 days after the close of the current period. In the government-wide financial statements, property taxes are recognized under the accrual method.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. The following summarizes the 2018/2019 levy:

Assessed Value	\$ 278,299,925
Less Homestead Exemption	(9,820,125)
BETE	<u>(61,900)</u>
Net Assessed Value	\$ 268,417,900
Tax Rate (Per \$1,000)	<u>17.15</u>
Commitment	\$ 4,603,367
Supplemental Taxes Assessed	<u>4,492</u>
Sub-Total	\$ 4,607,859
Less Abatements	(697)
Collections	<u>(4,423,480)</u>
Receivable at Year End	<u>\$ 183,682</u>
Collection Rate	<u>96.0%</u>

Property taxes may be paid in two installments with due dates of October 15, 2018, and April 16, 2019, with interest charged at a rate of 7.0% on delinquent accounts after those dates.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 189,187	\$ 0	\$ 0	\$ 189,187
Construction-in-Progress	<u>265,680</u>	<u>2,131,535</u>	<u>0</u>	<u>2,397,215</u>
Total Capital Assets Not Being Depreciated	<u>\$ 454,867</u>	<u>\$ 2,131,535</u>	<u>\$ 0</u>	<u>\$ 2,586,402</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	\$ 1,189,145	\$ 0	\$ 0	\$ 1,189,145
Machinery and Equipment	184,169	0	0	184,169
Vehicles	1,908,300	100,521	119,061	1,889,760
Infrastructure	<u>766,680</u>	<u>145,468</u>	<u>0</u>	<u>912,148</u>
Total Capital Assets, Being Depreciated	<u>\$ 4,048,294</u>	<u>\$ 245,989</u>	<u>\$ 119,061</u>	<u>\$ 4,175,222</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 865,477	\$ 24,569	\$ 0	\$ 890,046
Machinery and Equipment	174,447	4,180	0	178,627
Vehicles	778,423	126,215	78,610	826,028
Infrastructure	<u>58,699</u>	<u>21,591</u>	<u>0</u>	<u>80,290</u>
Total Accumulated Depreciation	<u>\$ 1,877,046</u>	<u>\$ 176,555</u>	<u>\$ 78,610</u>	<u>\$ 1,974,991</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 2,171,248</u>	<u>\$ 69,434</u>	<u>\$ 40,451</u>	<u>\$ 2,200,231</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,626,115</u>	<u>\$ 2,200,969</u>	<u>\$ 40,451</u>	<u>\$ 4,786,633</u>

Depreciation expense has not been charged as a direct expense.

NOTE 5 – LONG-TERM DEBT

At June 30, 2019, loans, leases and bonds payable consisted of the following individual issues:

	Governmental <u>Activities</u>
Androscoggin Bank	
2012 General Obligation Bond, Interest Rate 3.09%, Annual Payments of \$47,111 Including Interest, Maturity in 2022. To Finance Public Works Equipment and Various Road Construction Projects.	\$ 156,725
2015 General Obligation Bond, Interest Rate 3.28%, Annual payments of Principal and Interest of \$26,764, Maturity in 2022, to Finance Purchase of Truck	93,671

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

2015 General Obligation Bond, Interest Rate 3.52%,
Maximum Draw of \$140,000, Annual Payments of
\$16,432 Including Interest, Maturity in 2025, to Finance
Certain Road Project Costs. 91,006

2016 General Obligation Bond, Interest at 3.06%,
Annual Payments of \$36,456 Including Interest,
Maturity in 2026, To Finance Road Reconstruction. 248,507

2016 General Obligation Bond, Interest at 2.89%,
Annual Payments of \$23,976 Including Interest,
Maturity in 2023, To Finance Purchase of Truck. 110,150

Maine Municipal Bond Bank

2019 General Obligation Bond, Interest Rates Varying
Between 1.72% and 4.215%, Annual Payments of Principal
Of \$80,833 Plus Interest, Maturity in 2049, to Finance
Construction of Public Works Facility and Salt/Shed Building. 2,425,000

2011 Series E Bond, Interest Rate 0.5% - 5.5%,
Annual Principal Payments of \$17,067 Plus Interest,
Maturity in 2026. To Finance a Fire Department Pumper Truck. 136,531

2011 Series E Bond, Interest Rate 0.5% - 5.5%,
Annual Principal Payments of \$64,400 Plus Interest,
Maturity in 2021. To Finance a Plow Truck and Various Road
Construction Projects. 193,200

Caterpillar Financial Services Corporation

Lease Purchase Agreement for a Caterpillar Backhoe
Loader, Initial Cost of \$111,400, Accumulated Depreciation of
\$34,658 at June 30, 2019; Amount Financed \$91,700.
Ten Payments of \$10,523 Due Through 2021. 38,930

Lease Purchase Agreement for a Caterpillar Loader,
Amount Financed \$138,650, Annual Payments of
\$15,489, Due in Full in 2025; Initial Cost \$138,650,
Accumulated Depreciation of \$29,848 at June 30, 2019. 85,168

Camden National Bank

2017 General Obligation Bond, Annual Payments of \$22,546
In Principal and Interest at 2.76%, Maturity in 2024, To
Finance Road Construction 135,276

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Mechanics Savings Bank

2018 General Obligation Bond, Annual Payments of \$17,000

In Principal and Interest at 3.42%, Maturity in 2028, To

Finance a Fire Truck

153,000

2018 General Obligation Bond, Annual Payments of \$25,000

In Principal Plus Interest at 3.75%, Maturity in 2029, To

Finance Road Construction and Purchase of Vehicle

250,000

Total Notes, Leases and Bonds Payable

\$ 4,117,164

In accordance with 30-A MRSA, Section 5702, as amended, the amount of long-term debt that can be incurred by the Municipality is limited by state statute. Total outstanding long-term obligations during a year can be no greater than 7.5%, with certain exceptions, of the state valuation of taxable property as of the beginning of the fiscal year. As of June 30, 2019, the amount of outstanding long-term debt was equal to 1.48% of property valuation for the year then ended.

Changes in Outstanding Debt

Transactions for the year ended June 30, 2019, are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 1,602,630	\$2,675,000	\$ 284,564	\$ 3,993,066	\$ 269,613
Leases Payable	146,073	0	21,975	124,098	22,593
Compensated Absences	<u>25,038</u>	<u>5,686</u>	<u>0</u>	<u>30,724</u>	<u>0</u>
Total Governmental Activities	<u>\$ 1,773,741</u>	<u>\$2,680,686</u>	<u>\$ 306,539</u>	<u>\$ 4,147,888</u>	<u>\$ 292,206</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2019, are as follows:

<u>General Obligation</u> <u>Bonds and Notes</u> <u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Governmental Activities</u> <u>Total</u>
2019/20	\$ 269,613	\$ 45,466	\$ 315,079
2020/21	354,290	80,322	434,612
2021/22	358,310	72,597	430,907
2022/23	292,878	65,503	358,381
2023/24	233,256	58,978	292,234
2025/29	787,218	235,842	1,023,060
2030/34	404,167	218,735	622,902
2035/39	404,167	198,829	602,996
2040/44	404,167	137,895	542,062
2045/49	404,167	66,280	470,447
2050/54	80,833	3,407	84,240
Total	<u>\$3,993,066</u>	<u>\$1,183,854</u>	<u>\$5,176,920</u>

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The following is a schedule of future minimum lease payments for the capital leases together with the present value of net minimum lease payments as of June 30, 2019:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019/20	\$ 26,012
2020/21	26,012
2021/22	26,012
2022/23	26,012
Thereafter	<u>30,977</u>
Total Minimum Lease Payments	\$ 135,025
Less Amount Representing Interest	<u>(10,927)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 124,098</u>

NOTE 6 – DEFINED CONTRIBUTION PLAN

Deferred Compensation Plan

Description of the Plan

The government offers its employees a deferred compensation plan through ICMA Retirement Corporation, created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Currently eight employees participate in the plan.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors.

Participants' rights under the plan are equal to those of general creditor of the government in an amount equal to the fair market value of the deferred account for each participant. It is the opinion of the government's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The government believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's trustee under one of two investment options, or a combination thereof. The choice of the investment options is made by the participants.

Funding Policy

The Town's policy states the Town shall match the first 2% the employee contributes to retirement through payroll deduction at 100% and shall match the next 4% the employee contributes through payroll deduction at 50%. Such Town contributions amounted to \$25,346 for the year ended June 30, 2019.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – INTERFUND ACTIVITY

Interfund balances at June 30, 2019, consisted of the following:

Due To	
General Fund	\$ 754
CMP TIF	1,167,187
Public Works Facility	93,915
Non Major Governmental Funds	
Other TIF Funds	41,940
Special Revenue Funds	97,662
Capital Project Funds	<u>73,706</u>
Total	<u>\$ 1,475,164</u>
Due From	
General Fund	\$ 1,474,410
Public Works Facility	0
Permanent Funds	<u>754</u>
Total	<u>\$ 1,475,164</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	
General Fund	\$ 3,250
Non Major Governmental Funds	
Capital Projects Funds	\$ 6,585
Special Revenue Funds	<u>19,949</u>
Total	<u>\$ 29,784</u>
Transfer From	
General Fund	\$ 26,534
Permanent Funds	<u>3,250</u>
Total	<u>\$ 29,784</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – OVERLAPPING DEBT

The Town's proportionate share of Sagadahoc County's debt is not recorded in the financial statements of the Town of Bowdoinham. At June 30, 2019, the Town's share was 5.78% (or \$255,263) of the County's outstanding debt of \$4,416,309 (principal only).

The Town's proportionate share of Maine School Administrative District No. 75's debt is not recorded in the financial statements of the Town of Bowdoinham. At June 30, 2019, the Town's share was 12.33% (or \$10,863,786) of the District's outstanding debt of \$88,108,564 (principal and interest).

NOTE 10 – TAX INCREMENT FINANCING/DEVELOPMENT DISTRICTS

During 2002, the Town of Bowdoinham was given approval for the creation of the Natural Gas Pipeline Municipal Development Tax Increment Financing District ("the District").

The designation of the District and pursuit of the Development Program will generate substantial economic benefits for the Town and its residents, including employment opportunities, broadened and improved tax base and economic stimulus and therefore, constitutes a good and valid public purpose.

The expenditures from this development project will be recouped in future years via an increment tax levied upon the District's captured assessed value over a twenty-year period.

Article #4 of the Annual Town Meeting on June 10, 2016, approved a new district to be known as the Town of Bowdoinham CMP/Riverfront Municipal Development and Tax Increment Financing District. This district would consist of 110.07 acres located in two distinct tracts, one near Main Street and the other near Brown Point Road. The development program for the District proposes to provide financial support to a number of Town economic development projects and programs. The percentage of new taxes to be captured by the Town of the 20-year program is 100% for years 1-20.

NOTE 11 – GOVERNMENTAL FUND BALANCES

Previously, the Town implemented the following accounting standard issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, committed, restricted, assigned, and unassigned.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

The Town's fund balances represent: **(1) Nonspendable Fund Balance**, resources that cannot be spent because of legal or contractual provisions that require they be maintained intact. (e.g. the principal of an endowment). **(2) Restricted Purposes**, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; **(3) Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen; **(4) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. **(5) Unassigned Fund Balance**, net resources in excess of what is properly categorized in one of the four categories already described. A positive amount of unassigned fund balance will never be reported in a governmental fund other than the general fund because GASB Statement 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. However, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable, restricted and committed fund balance exceed the total net resources of the fund.

The Town of Bowdoinham has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$1,133,614 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. This balance is consistent with the Town's fund balance policy calling for unassigned fund balance of at least two months' expenditures.

As per Exhibit III, a summary of the nature and purpose of these reserves by fund type at June 30, 2019 follows.

Restricted

Special Revenues

CMP Tax Increment Financing District	\$ 1,167,187
Non-Major Tax Increment Financing District	<u>41,940</u>
Total Tax Increment Financing Districts	<u><u>\$ 1,209,127</u></u>

Committed

Capital Projects Funds

Public Works Facility (Major Fund)	\$ 93,915
Carding Machine Road and Vehicle Fund	14,010
2016 Road Bond	10,418
Town Hall Office Reserve	(2,911)
Waterfront Reserve	9,218
Fire Department	17,111
2016 Truck Bond	4,903
Electronic Equipment Reserve	3,595
Coombs Septic	3,182

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Public Works Reserve	7,000
Solid Waste Reserve	3,700
Cemetery Maintenance Reserve	(391)
2018 Fire Truck Bond Fund	1,250
Town Hall Office Capital	1,000
Solid Waste Hazardous	505
AARP Raised Bed Fund	113
Recreational	<u>1,003</u>

Total \$ 167,621

Committed

General Fund

Appropriated from Surplus to Reduce
Taxes in FY 2019/20 \$ 140,000

Assigned

Special Revenues

Celebrate Bowdoinham	\$ 36,562
Home Heating for Needy Families	16,746
Health Reimbursement Arrangement	8,449
Bottle Funds Community Projects	7,475
250 th Anniversary	7,028
Comprehensive Plan Reserve	7,511
Merrymeeting Trail	4,521
EMS Donations	3,884
Committee on Aging	3,644
Employee Safety Reserve Fund	4,713
Ace Team	1,500
TIF Newsletter Revenues	3,253
Animal Control Assigned Fund	550
Youth Alternatives Donations	480
Cemetery Services	<u>(204)</u>

Total \$ 106,112

Assigned

Permanent Funds

Cemetery Funds	
Noble Maxwell	\$ 431,839
Village Cemetery	48,903
Ridge	28,206
Charles B. Randall	27,629
Sara Miles	11,886
Eliza Mustard	2,387
Browns Point	<u>32</u>
Cemetery Funds Total	<u><u>\$ 550,882</u></u>

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Trust Funds	
Worthy Poor	\$ 55,034
Commemorative Trust	51,593
Anniversary Trusts	<u>9,776</u>
Trust Fund Total	<u>\$ 116,403</u>
Other Funds	
Bowdoinham Community School Scholarship	\$ 262
Viola Coombs	13,449
Volunteer Fire Dept	8,970
Lewis Fulton-Prize Trust	6,817
Lancaster Bishop School	4,306
Franklin K. Jack	3,229
Dussault	2,960
Carrie Rideout	<u>1,795</u>
Other Funds Total	<u>\$ 41,788</u>
Total Permanent Funds	<u><u>\$ 709,073</u></u>
<i>Unassigned</i>	
General Fund	<u><u>\$ 1,133,614</u></u>

NOTE 12 – FUND BALANCE APPROPRIATIONS

At the Annual Town Meeting on June 13, 2018, the Townspeople voted an appropriation of general fund balance to reduce the tax rate for the year ended June 30, 2019 in the amount of \$120,000, which is reflected as the excess of budgeted expenditures over budgeted revenues as per Exhibit VII.

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Bowdoinham utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Board of Selectmen and must be approved at the Annual Town Meeting.

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2019, no expenditures exceeded appropriations, other than an overdraft within the general government line of \$(5,194).

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. As of June 30, 2019, no funds held a deficit balance, other than immaterial deficits in three non-major funds as detailed in Note 11.

TOWN OF BOWDOINHAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 – ANNUAL TOWN MEETING FOR FISCAL YEAR 2019/2020

In the Annual Town Meeting on June 12, 2019, the Townspeople voted to appropriate \$140,000 from unassigned general fund balance to be used to reduce the tax commitment for the coming year.

NOTE 15 – SHORT-TERM BORROWING

During the year ended June 30, 2019, the Town entered into a bond anticipation note with a local bank. This note bore interest at 3%, had a face amount of \$2,600,000, and was due in full June 30, 2019. The proceeds of this note were dedicated for the construction of a new public works facility and garage, until permanent financing was obtained for same. During the year, the Town drew a total of \$2,100,173 from this borrowing facility and had repaid this amount in full along with interest of \$29,931 by June 30, 2019.

NOTE 16 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through January 28, 2020, the date on which the financial statements were available to be issued.